

**BEFORE THE DEPARTMENT OF BANKING AND FINANCE
STATE OF GEORGIA**

SHARPE MORTGAGE LENDING SERVICES
OF GEORGIA, INC.

Petitioner

vs.

GEORGIA DEPARTMENT OF
BANKING AND FINANCE

Respondent

JEFFREY A. WATSON

Petitioner

vs.

GEORGIA DEPARTMENT OF
BANKING AND FINANCE

Respondent

FILED

MAR 23 2009

**GEORGIA DEPARTMENT OF
BANKING AND FINANCE**

DOCKET NO. DBF-MBL-09-0003

CONSENT ORDER

On March 11, 2009, the Georgia Department of Banking and Finance ("Department") issued a proposed Notice of Intent to Revoke Annual License to Sharpe Mortgage Lending Services of Georgia, Inc. ("Sharpe Mortgage"), mortgage broker license number 11430, for violations of the Georgia Residential Mortgage Act, O.C.G.A. § 7-1-1000 *et seq.* ("GRMA"), including making false statements or misrepresenting material facts to lenders in violation of O.C.G.A. § 7-1-1013(1), (2) and (6) and failing to properly maintain a mortgage loan transaction journal in violation of Department Rule 80-11-2-.03.

On this same day, the Department issued a proposed Order to Cease and Desist to Jeffrey A. Watson, President of Sharpe Mortgage Lending Services of Georgia, Inc. for making false statements or misrepresenting material facts to lenders in violation of O.C.G.A. § 7-1-1013(1), (2) and (6) and failing to properly maintain a mortgage loan transaction journal in violation of Department Rule 80-11-2-.03.

The parties have reached a settlement of the issues raised by the proposed Notice of Intent to Revoke Annual License and the proposed Order to Cease and Desist and have agreed to a resolution of those matters in their entirety.

Accordingly, it is hereby ORDERED as follows:

1. Sharpe Mortgage will strictly comply with the terms of this Consent Order, the Georgia Fair Lending Act, O.C.G.A. § 7-6A-1 *et seq.*, and GRMA, as well as the Department's Rules enacted pursuant thereto. Failure to do so may result in additional administrative action being brought against Sharpe Mortgage and any of its employees or agents.
2. Sharpe Mortgage shall develop and implement policies, procedures, and practices that will ensure compliance with all applicable Georgia Laws and Regulations. Sharpe Mortgage shall adopt best practices, including but not limited to the following:
 - a. Sharpe Mortgage shall immediately implement measures to ensure that its business operations and employees are subject to an appropriate level of supervision at all times by its owner and president, Jeffrey A. Watson. For the purposes of this Consent Order, "supervision" shall mean daily management and oversight by Sharpe Mortgage owner and president, Jeffrey A. Watson, that is reasonably designed to result in compliance with GRMA, and the rules of the Department by loan officers, processors and other individuals in the employ of Sharpe Mortgage. Monthly meetings shall be held onsite with all staff involved in the process of loan origination and/or processing of loans governed by GRMA.
 - b. Sharpe Mortgage shall perform background checks for all new employees before or within 10 days of their initial hire. All background checks of employees that handle Georgia residential loan transactions shall be processed by the Georgia

Crime Information Center. No individual shall be employed by Sharpe Mortgage if he or she is a first offender under sentence for the commission of a felony; entered a plea of nolo contendere to a felony charge; has been adjudicated without guilt for the commission of a felony; or has entered a plea to or has been convicted of a felony for which an official certification or pardon has not been obtained that removes the legal disabilities resulting from such conviction and restores civil and political rights. Sharpe Mortgage will have the Georgia Crime Information Center perform background checks annually on its existing employees. Results of background checks shall be maintained in employees' personnel files and made available to the Department upon request.

- c. Sharpe Mortgage shall not directly or indirectly transact business as a mortgage broker in the State of Georgia with any unlicensed "person," as defined by the Georgia Residential Mortgage Act, unless the person is exempt from the licensing or registration requirements under O.C.G.A. § 7-1-1001.
- d. Sharpe Mortgage shall maintain a complete and current journal of Georgia residential mortgage loan transactions that shall comply with Department Rule 80-11-2-.03 and include, at a minimum, the following information:
 - i. full names of borrowers and co-borrowers;
 - ii. social security numbers of borrowers and co-borrowers;
 - iii. application dates;
 - iv. names of loan officers responsible for loan applications whose names also appear on the applications; and,
 - v. dispositions of the applications and the disposition dates.

Failure to make an entry of any or all of this information to the mortgage loan transaction journal within seven (7) business days from the date of the occurrence of the event required to be recorded shall be deemed a failure to keep the journal current and a violation of this Consent Order.

e. Sharpe Mortgage shall within ten (10) days after knowledge of the event, report in writing to the Department:

- i. any suspicion, knowledge or discovery of an act prohibited by O.C.G.A § 7-1-1013, including mortgage fraud; and,
- ii. the discharge of any employee for dishonest or fraudulent acts.

3. Sharpe Mortgage shall adopt best practices for Quality Control and Fraud Prevention and Detection. For purposes of this Consent Order, "Quality Control" shall mean a system for ensuring the maintenance of proper loan origination and processing standards, especially by periodic, random inspection, to include but not limited to:

- a. Sharpe Mortgage shall maintain a record of the license numbers or exemption status of any broker, lender or processor with whom Sharpe Mortgage conducts business. This includes verifying the status of mortgage broker and mortgage lender licenses as well as the entry of any final administrative actions on the Department's website (www.dbf.georgia.gov) and the monthly Mortgage Summary on a monthly basis.
- b. Sharpe Mortgage shall segregate, and expressly state in written policies and procedures, the assigned duties for both loan officers and loan processors. For purpose of this Consent Order, the term "loan processor" shall mean generally an employee who collects and/or verifies from a borrower or other person,

information that is necessary to underwrite or to submit for underwriting, a mortgage loan application package and any activities, including but not limited to, those provided in Department Rule 80-11-4-.07(3). Sharpe Mortgage shall not permit any employee to function as both the loan officer and loan processor for any one loan.

- c. Owner and president, Jeffery A. Watson, or his approved designee, shall personally oversee and supervise loans originated and/or processed for employees and any borrowers related to a current employee.
- d. Owner and president, Jeffery A. Watson, or his approved designee, shall review Sharpe Mortgage's mortgage loan transaction journal on a monthly basis to maintain personal knowledge of new and pending transactions.
- e. Owner and president, Jeffery A. Watson, or his approved designee, shall perform a monthly quality control review of a minimum of 10% of the GRMA loans originated or closed within the month. All multiple borrower transactions shall be reviewed and tracked until final disposition.
- f. Sharpe Mortgage shall establish an employee training program that provides instruction on understanding common mortgage fraud schemes; recognizing red flags; the appraisal regulation; the real estate lending standards regulation; appraisal techniques; proper closing procedures; and, performing proper verifications of employment, rent, and deposit within one year of signing this Consent Order.
- g. Sharpe Mortgage shall implement, within one (1) year of the entry of this Consent Order, a new hire and continuing education employee training program regarding

what constitutes mortgage fraud and how to detect and avoid its commission, including but not limited to: common mortgage fraud schemes, recognizing red flags in appraisal and loan documents; and, proper verifications of employment, rent and deposit. Sharpe Mortgage shall also provide training specifying what actions are to be taken when its employees believe that a borrower is attempting to engage in mortgage fraud by providing false or misleading information and/or documentation to obtain loans from a lender.

4. Owner and president, Jeffery A. Watson, shall complete a 4-hour educational course in Mortgage Fraud within 6 months of the entry of this Consent Order. Mr. Watson shall cause to be submitted to the Department a copy of a certificate issued by the education provider(s) documenting his successful completion of this requirement, which subsequently may be verified by this agency. None of the 4 hours of education obtained by Mr. Watson pursuant to this Consent Order shall qualify to be applied towards the Department's 12-hour continuing education requirement that must be met in order to renew the mortgage broker license of Sharpe Mortgage during 2009 or after.

5. Within 60 days of the effective date of this Consent Order, Sharpe Mortgage Lending Services of Georgia, Inc. shall provide to the Department a written progress report detailing the actions that have been and will be undertaken to comply with the terms of this Consent Order.

6. All written notifications and requests for approval required by this Consent Order shall be mailed to:

Georgia Department of Banking and Finance
Attention: Director of Mortgage Supervision
2990 Brandywine Road, Suite 200
Atlanta, Georgia 30341

7. The Department shall rescind the proposed Order to Cease and Desist issued to Jeffrey A. Watson after the entry of this Consent Order.

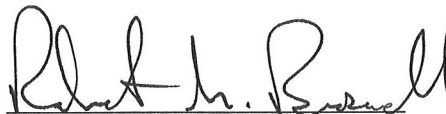
8. The Department shall withdraw the proposed Notice of Intent to Revoke issued to Sharpe Mortgage after entry of this Consent Order.

9. Sharpe Mortgage shall contribute \$1,000 to the State Regulatory Registry, LLC, a wholly-owned subsidiary of the Conference of State Bank Supervisors ("CSBS") to support the Nationwide Mortgage Licensing System, jointly sponsored by CSBS and the American Association of Residential Mortgage Regulators. This contribution shall be paid in certified funds, be made payable to the State Regulatory Registry, LLC, and shall be remitted contemporaneously with the entry of this Consent Order.

10. The terms of this Order may be enforced by the Department pursuant to O.C.G.A. §§ 7-1-1017(g) and 7-1-1018(b).

11. The Consent Order shall be regarded as a public document that the Department may publish in the same manner as a final order of this agency.

SO ORDERED AND ENTERED, this 23rd day of March 2009.

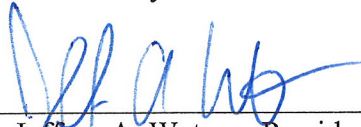


ROBERT M. BRASWELL

Commissioner

Georgia Department of Banking and Finance

Consented to by:



Mr. Jeffrey A. Watson, President
Sharpe Mortgage Lending Services of Georgia, Inc.
115 West Peachtree Place, Suite 1
Atlanta, Georgia 30313



Rod Carnes, Deputy Commissioner
Department of Banking and Finance
2990 Brandywine Road, Suite 200
Atlanta, Georgia 30341

In his individual capacity, and as president of Sharpe Mortgage Lending Services of Georgia, Inc.